searchspring

IT'S BEEN KIND OF A HARD YEAR:

INSIGHTS THAT WILL SHAPE YOUR ECOMMERCE STRATEGY IN 2021

What's inside

It's over. You made it.

No matter your industry, annual revenue, or team size, all ecommerce retailers had one thing in common in 2020:

It was kind of a hard year.

Even if demand for your products soared. Even if your conversion rates quadrupled and revenue ballooned.

Even then. It was hard work.
We salute you.

If it all passed you by in a blur, this report has everything you might have missed. 98 of your fellow retailers were kind enough to tell us about their experiences in 2020 - from how they adapted, to what learnings they're taking with them into the new year.

We also noticed interesting industry trends in our own customer data, which will give you some points to ponder in 2021.

Grab a coffee. Take a moment.
You made it.

"This was our biggest year in terms of revenue, and also our toughest year in terms of work. I'm sure almost everyone in ecommerce feels the same."

Who we heard from

As we exited 2020, Searchspring surveyed 98 online retailers about how they adapted over the course of the year, and what their priorities are for 2021.

Who participated in the survey?

Survey participants spanned industries including Art & Hobby, Automotive, B2B & Wholesale, Fashion & Apparel, Food & Drink, Health & Wellness, Home & Furnishings, Sports & Outdoor, and more.

Average annual revenue

38% USD $2-10 million

34% USD $10-50 million

22% under USD $2 million

6% over USD $50 million

Almost three quarters of respondents were based in the U.S., with Canada, the UK, and Australia making up the majority of the remainder.

62% said they operate online only

38% reported both ecommerce and brick-and-mortar operations

Job titles varied across the survey base, but generally fell into the categories of CEOs/Owners, Ecommerce and Merchandising Managers, and roles in Marketing and Technology.
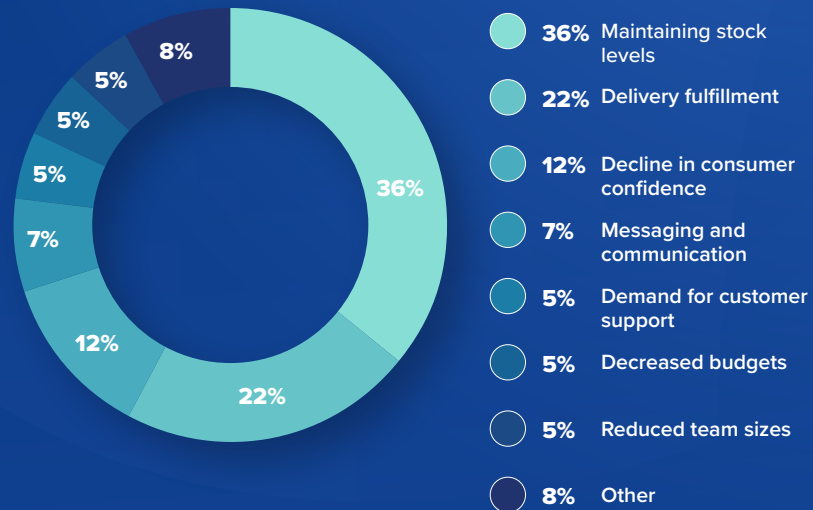
SURVEY

SUBMIT

Survey says...

Greatest challenges in 2020

Maintaining stock levels was the greatest challenge faced by online retailers in 2020, followed by delivery fulfillment, and decreased consumer spending.

What was your greatest challenge in 2020?

- **36%** Maintaining stock levels
- **22%** Delivery fulfillment
- **12%** Decline in consumer confidence
- **7%** Messaging and communication
- **5%** Demand for customer support
- **5%** Decreased budgets
- **5%** Reduced team sizes
- **8%** Other

"Being associated with the healthcare ecommerce industry, it was a roller coaster ride right from the beginning of 2020. This year taught us a lot about panic buying, inventory maintenance, and order fulfillment."

Survey says...

Increased online sales in 2020

Retailers with both in-store and online operations were more likely to report an increase in online sales (94%), compared to their ecommerce-only counterparts. Still, 71% of online-only retailers experienced sales growth, while 15% said sales figures were roughly as forecasted.
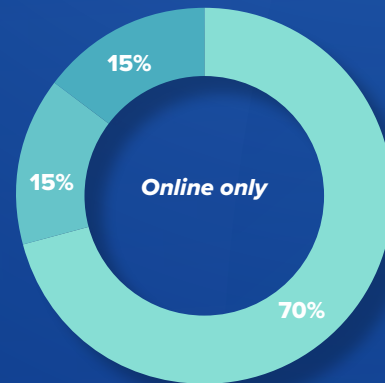
"Ecommerce was completely turned on its head in 2020. The economy tanked but our orders increased exponentially, which we honestly did not expect."

Did your online sales increase in 2020?

Online and in-store
- 6%
- 94%

Online only
- 15%
- 15%
- 70%

94% Yes
6% No

70% Yes
15% No
15% Roughly as forecasted

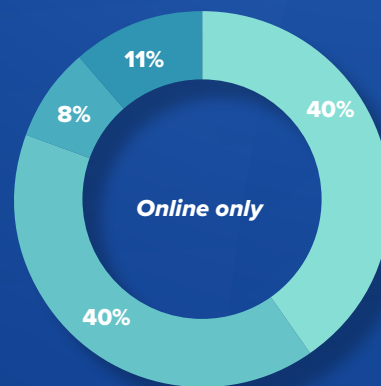$70
$50

Survey says...

Strategy adjustments in 2020

Of the respondents with both online and in-store operations, only 3% reported "mostly sticking to" their original 2020 strategy. The majority (58%) stated they "pivoted slightly" in response to the pandemic, while 39% stated they either pivoted significantly or completely changed their strategy. Retailers with online-only operations were three times more likely to have stuck to their original plans for 2020, but the vast majority still re-thought their approach.

## How did the pandemic affect your 2020 strategy?

Online and in-store

- 3%
- 11%
- 28%
- 58%

Online only

- 11%
- 8%
- 40%
- 40%

58%	Pivoted slightly		**40%**	Pivoted slightly
28%	Pivoted significantly		**40%**	Pivoted significantly
11%	Completely changed strategy		**8%**	Completely changed strategy
3%	Mostly stuck to original plan		**11%**	Mostly stuck to original plan

> "It's been a wild ride. Flexibility is key. Throwing out our marketing plan and starting fresh in March was a really good decision. Stay flexible."
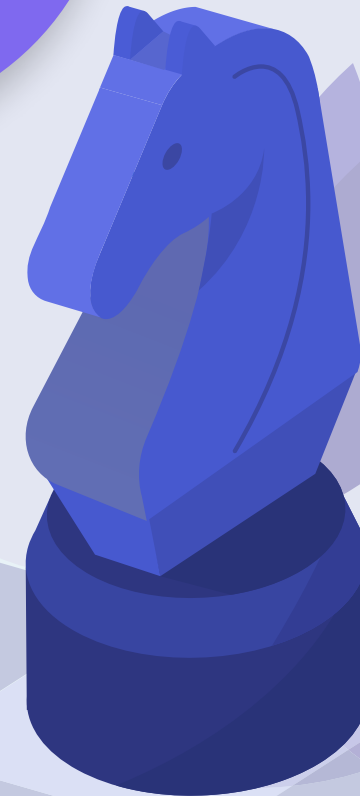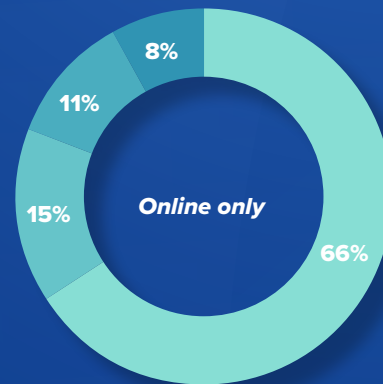
Survey says...

Shift to ecommerce is here to stay

75% of retailers expect online sales to continue to increase in 2021. The outlook for in-store sales is more measured, but still positive, with 56% predicting growth.

Do you expect online sales to increase, decrease, or stay the same in 2021?

Online and in-store

8%
9%
83%

Online only

8%
11%
15%
66%

83% Increase

9% Stay the same

8% Decrease

66% Increase

15% Stay the same

11% Decrease

8% Unsure

" *"It has become increasingly important to provide all the information a customer needs online. We were previously using our website to drive people to in store. We have rapidly switched to completing the whole transaction online without visiting the physical store."*

What we learned

1. Many industries thrived in 2020, and show no signs of slowing down

In case you still needed convincing that there was a monumental shift to online shopping in 2020, here's a snapshot of average revenue increases across the highest-growth industries in Searchspring's customer base.

Revenue growth by industry, 2020 vs 2019

Food & Drink
up **92%**

Home & Garden
up **85%**

Arts & Crafts
up **65%**

Hardware & Home Improvement
up **56%**

Flowers & Gifts
up **54%**

Health & Wellness
up **52%**

Fashion & Apparel
up **30%**

Toys
up **25%**

Sports & Outdoors
up **18%**

"2020 has felt like a paradigm shift. Brick and mortar used to drive ecommerce, now ecommerce is going to take the lead."

How traffic and transactions trended over the year

Revenue from **Health & Wellness** sites peaked in early March, before crashing by 50% two weeks later - despite consistent levels of traffic. This most likely reflects a period when many retailers were struggling to re-stock to meet demand. Revenue began to bounce back in late April, at a time when many retailers were beginning to replenish stock levels, and remained consistently high for the remainder of 2020.

Flowers & Gifts naturally saw spikes around Valentine's and Mother's Day, but these spikes were drastically higher than 2019, potentially indicating people were turning to ecommerce in much higher numbers for these key dates. Traffic to these sites was up 112% in the week preceding Mother's Day in 2020, compared to 2019.

Home & Garden was another industry that experienced more dramatic spikes in traffic than usual in 2020. Normally a relatively consistent vertical, with a gentle peak in visits in late April 2019, traffic was up 91% during the same period in 2020. The industry saw another jump in traffic in late May before levelling off for the remainder of the year.

In all three examples, the surges of early 2020 may have eased as the year went on, but demand and consumer spend remained higher than average.

"*It has become increasingly important to provide all the information a customer needs online. We were previously using our website to drive people to in store. We have rapidly switched to completing the whole transaction online without visiting the physical store.*"

What we learned

2. Retailers have responded with agility, action, and innovation

Faced with what could politely be described as a volatile set of circumstances, retailers remained flexible in 2020. Instead of stalling, the industry forged ahead with impressive agility and innovation. In the midst of it all, many proceeded with improvements that had already been planned before the pandemic hit.

COVID-specific response

When asked which tactics they introduced specifically in response to the pandemic, retailers' most common responses were:
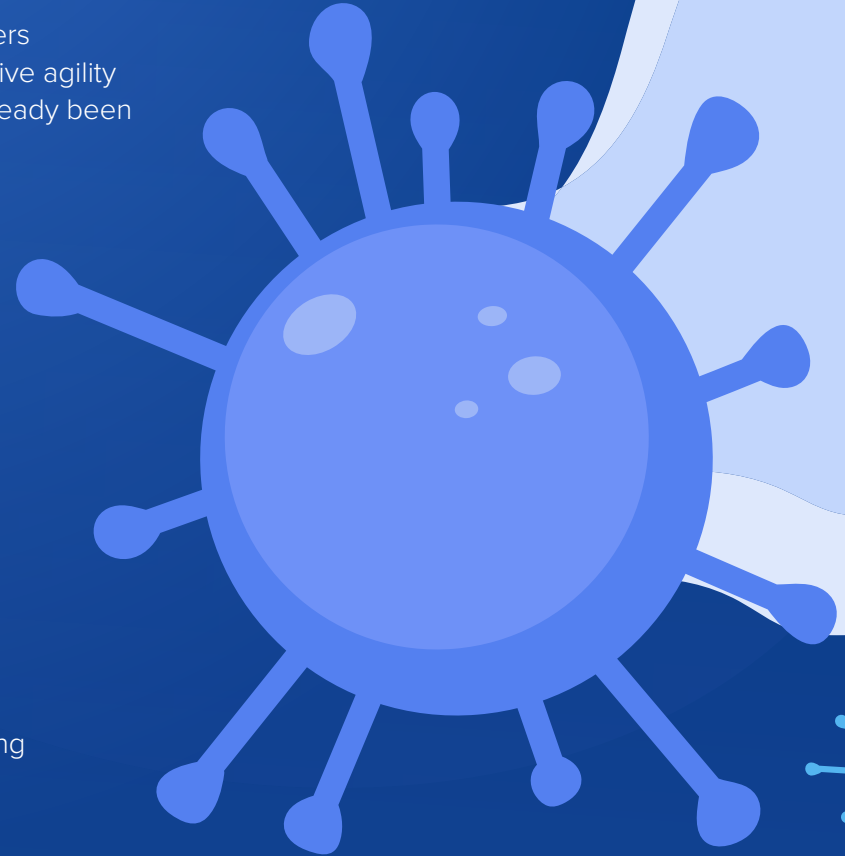
1. Increased customer support

3. Multiple payment methods

2. Flexible delivery/ pickup options

Unsurprisingly, this indicates that retailers were focused on putting their customers first in 2020 - whether through enhanced customer service and support, or by offering greater flexibility in curbside pickups, BOPIS, payment options, and more.

Elements of business as usual

Many retailers also stuck to pre-existing plans to invest - mainly in the same areas as those reacting with COVID-specific responses. The following were the top responses when asked, "what did you implement as planned in 2020?"

1. **Flexible payments**

2. **Increased customer support**

3. **Multiple payment methods**

We can see that retailers already intended to invest in support and payment flexibility in 2020 before the pandemic hit, and either proceeded with or accelerated these plans.

Looking ahead

As for the focus heading into 2021, the majority of survey respondents plan to invest in - you guessed it - the same areas that became a priority in 2020.

1. **Increased customer support**

2. **Flexible payments**

3. **Flexible delivery/ pickup options & Multiple payment methods**

Customer centricity has been, and will continue to be, a key focus for ecommerce retailers - pandemic or no pandemic.

How else have retailers adapted?

Several survey respondents mentioned they expanded into new categories and product lines in 2020 to capitalize on changing demands. Here's a snapshot of some of the other feedback we received.

"2020 was a wild ride, it really pushed us to perform."

"While the upheaval of 2020 is behind us, the industry will continue to evolve and adjust as we head into the new year."

"We've significantly scaled back our discount sales in response to the Covid surge of buyers. No discounts have been necessary to drive sales at all in the last six months, since our merchandise largely focuses on in-home hobbies."

"Uncertainty makes it difficult to plan and invest. We've had both increases and decreases - it's impossible to predict, so we are just riding it out best we can."

"We significantly changed and improved our PPC strategy in 2020. We also carried out a major integration between our website with our backend stock/accounting/admin system."

"We stopped selling on Amazon this year to help our warehouse keep up with demand from our own website."

"It's been insanely busy, we struggled all year to keep up."

What we learned

3. Automation eases pressure, but won't replace the human touch

85% of survey respondents reported using some form of automation in their roles, with the most common uses being inventory management, marketing, online merchandising, and order fulfillment.

Of those that don't currently avail of automation, **47% said they have plans to do so**. Inventory management and marketing tied as the first choice of tasks to automate in the future.

Despite the high uptake of automation technology among retailers, the overwhelming majority (96%) don't fear for their roles becoming fully automated in the future.

Leadership, decision making, strategy, and customer knowledge were some of the most common responsibilities highlighted as being impossible to automate.

What aspects of ecommerce just can't be automated?

"AI can't plan marketing campaigns, write copy, or coach a team."

"You need someone strategic to oversee all of the automation and tools available. I am always looking to reduce my time spent on manual efforts in order to have more time freed up for analytics, testing, implementing new features, marketing, etc."

"Computers can't make artistic decisions."

"Although automation is useful, it still needs to be monitored to ensure it's working as expected. Automation doesn't always have the full context, and can require overriding or tweaking to get it right."

"I think automation can only understand consumer behavior to a point. I believe people understand other people's needs best."

"Somebody still has to set the machine in motion, and machine-learning can be pretty stupid sometimes."

"We have a strong focus on customer service and I don't think we would ever replace it with automation."

"We're using automation for mostly 'copy paste' jobs and to do things at scale. You still need creativity in place in order to get desired results."

What we learned

4. Brand, experience, and personalization for the win in 2021

What did retailers view as the most important competitive differentiator in 2020?

Brand.
Closely followed by offering a unique product, responsive customer service, and an intuitive shopping experience.

The focus of investment in 2021?
It's that shopping experience again.

More specifically, merchandising and personalizing the online shopping experience into a curated, intuitive customer journey.

What's already in the works, and what's in store for 2021?

86% of retailers already actively merchandise their online stores (and of those who don't, 64% plan to start soon).
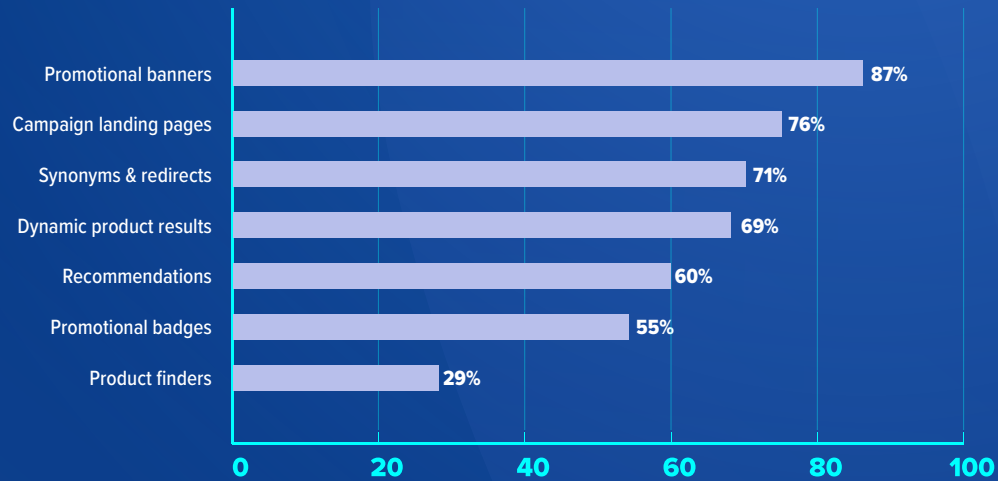
Promotional banners topped the list of merchandising features that online retailers are currently using, followed by campaign landing pages, and synonyms and redirects.

> "Nothing is worse than going to a website and it feels outdated. Customers love when they feel that you are reading their mind on your web page and making their decisions easier."

What merchandising features and tools are retailers currently using?

| Feature	Percentage
Promotional banners	87%
Campaign landing pages	76%
Synonyms & redirects	71%
Dynamic product results	69%
Recommendations	60%
Promotional badges	55%
Product finders	29%

A whopping 99% of respondents considered personalization to be either "somewhat or very important" to the online shopping experience. 61% plan to invest in personalization in 2021, with a third of retailers keeping it under consideration.

How important do you think it is to personalize the shopping experience?

- **71%** Very important
- **28%** Somewhat important
- **1%** Not important
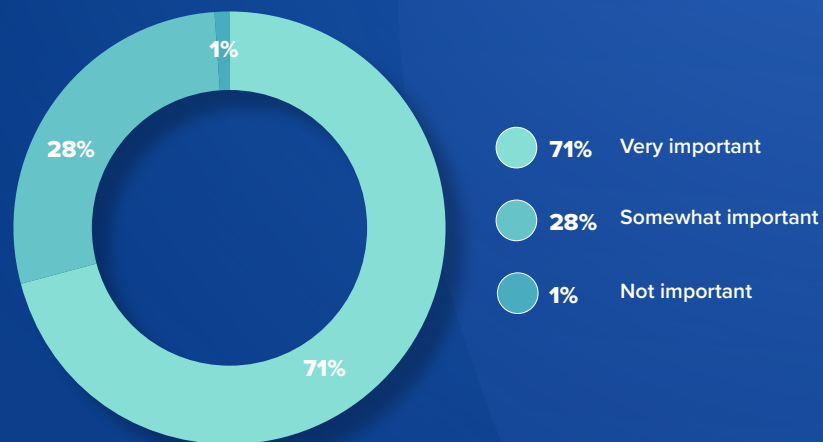
Do you plan to invest in ecommerce personalization in 2021?

- **61%** Yes
- **34%** Unsure
- **5%** No
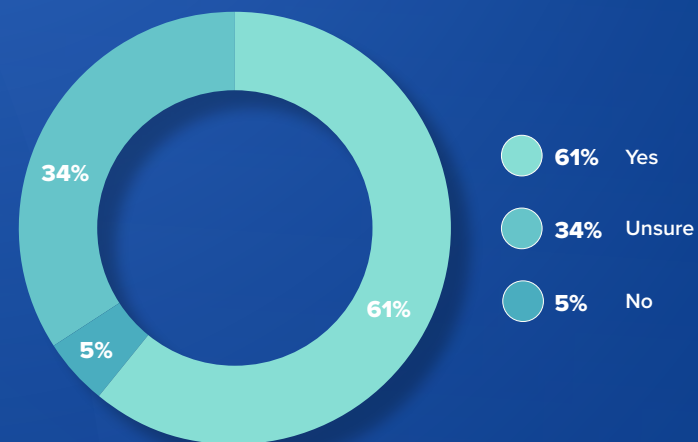
Getting tactical, product recommendations and hyper-relevant product results came out on top as the preferred method of personalizing the shopping experience. Tailored messaging, the ability to leverage customer data, and geo-targeting are also top-of-mind for retailers.

What does personalization mean to ecommerce professionals?

" *"Personalization should help the customer find exactly what they need with the least amount of effort."*

" *"Personalization should surface product, content, imagery, and advertising to present a curated experience that changes in real-time as the customer's behavior changes."*

" *"Our product range is very varied with customers having very distinct interests in particular brands. This makes it vital to ensure that the brands that a customer has an affinity to are displayed prominently and those that are less important become hidden so they are less of a distraction."*

" *"Tailoring products to what is current and trending at that point in time. Nothing is worse than going to a website and it feels outdated. Customers love when they feel that you are reading their mind on your web page and making their decisions easier."*

" *"It's about being able to direct consumers to products that are similar/like/complementary to their recent purchases, and understanding what their shopping needs are."*

" *"Basically, it's about giving a user what they are looking for, even before they search for it, in a way that's as frictionless as possible."*

" *"Helping a customer learn all the important facts about a product and providing him with all the relevant information in a way that saves time and effort."*

What Now?

2020 brought a lot of immediate changes in ecommerce. But, when it comes to its long-term impact, it really just accelerated many of the trends that were already on the horizon.

While retailers reacted with lightning speed to the ever-shifting situation in 2020, the new year presents an opportunity to get proactive and think long-term once again.

Remember plans? Strategies?

Let's give them another try (with some flexibility built in, of course).

These are the recommendations to remember:

1. **Meet customers where they are.** Retailers were already investing heavily in customer service and experience before the pandemic hit, 2020 just led them to double down. Shopper expectations are high, as a result.

2. **Focus on automation that lets you get back to what you do best.** Creativity, people skills, and decision-making abilities will never be fully replaced by machine learning. If you're using tools that override your better judgement, it's time for a change.

3. **Personalize that shopping experience.** The path to making a purchase on your online store should be nothing short of joyful. It's all about getting the right product, in front of the right shopper, at the right time.

Is your online store ready for 2021?

While ecommerce retailers scrambled to adapt in 2020, consumers were spending all that extra time at home refining their online shopping skills. If your customers weren't shopping around before, they are now.

Expectations for intuitive shopping experiences are at an all time high. And, you're not just competing with others in your industry. Your site's ease of use is being compared to every other digital platform out there - from Netflix to Spotify to Amazon.

If your store is in need of supercharging in 2021, **get in touch**. Searchspring allows you to merchandise your entire site, run the show, and deliver the right product, in the right place, at the right time. Our team of experts knows ecommerce search, merchandising, recommendations, and personalization like no one else.

Visit **searchspring.com** to learn more about our suite of ecommerce solutions.

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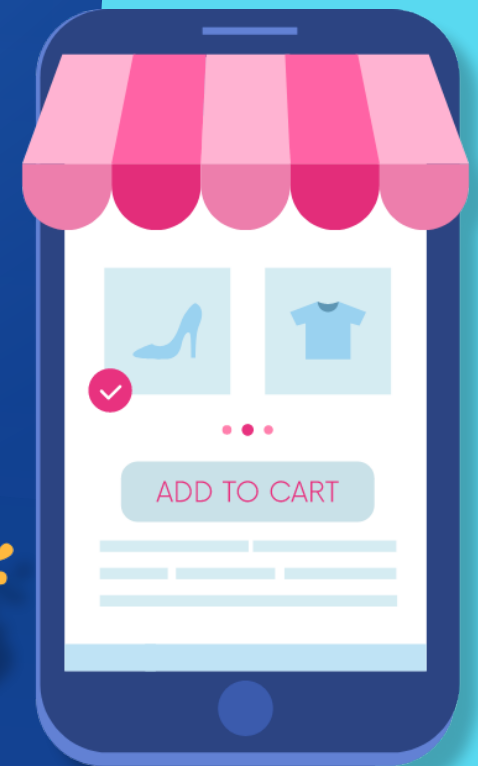
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Acknowledgements

We are deeply grateful to all of the retailers who took the time to complete our ecommerce survey.

Thank you for sharing your experiences.